

Terms of Reference

Audit and Risk Committee

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Purpose

The purpose of the Agency's Audit and Risk Committee (ARC) is to support, through an independent process of constructive challenge and review, the Chief Executive, in their capacity as Accountable Office (AO), particularly in relation to their responsibilities for issues of risk, control and governance and associated assurances. This includes review of the comprehensiveness of assurances in meeting the AO's needs, reviewing the reliability and integrity of the assurances, and assessing the risks which threaten to affect the business of the Agency.

The Committee formally reports to both the AO and Education Scotland's Advisory Board.

Membership

The Audit and Risk Committee (the Committee) is independent of Education Scotland management. Membership currently comprises three Non-Executive Board Members and 1 independent audit and risk committee member. It is chaired by one of the Non-Executive Board Members of the Advisory Board and at least one of the members must have recent and relevant financial experience.

The period of appointment to the Committee shall, in the case of Education Scotland Advisory Board members, be linked to their Board appointment. Independent Audit and Risk Committee members, if applicable, will be appointed for a period of up to four years, renewable once by mutual consent.

Current membership:

John Fyffe	Non-Executive Board Member (Chair)
David Gemmell	Non-Executive Board Member
Aileen Ponton	Non-Executive Board Member
James Wallace	Independent Audit and Risk Committee Member (from June 2018)

Attendees

The following routinely attend meetings of ARC:

Chief Executive and Accountable Officer
Strategic Director, Corporate Services and Governance
Head of Finance
Head of Governance
Audit Scotland
SG Internal Audit

The Strategic Directors should attend at least one Committee meeting per year, timed to coincide with the tabling of the annual assurances. Strategic Directors and/or other Education Scotland staff may attend Committee meetings as and when required, for example, if their business area has been subject to an audit and the findings are on the agenda.

Secretariat

Secretariat support for ARC meetings will be provided by the Governance Team.

Responsibilities of the Committee

The ARC's responsibilities will include scrutinising the adequacy of risk management, internal control and governance arrangements and the efficient and effective use of public funds.

The ARC will advise the Advisory Board and the AO on:

- The strategic processes for risk, control and governance;
- The accounting policies, the accounts, and the annual report of the Agency, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- The planned activity and results of both internal and external audit;
- The adequacy of the management response to audit findings;
- The effectiveness of Education Scotland's Health & Safety and Sustainability arrangements;
- The effectiveness of the internal control environment;
- Assurances relating to the corporate governance requirements for the organisation;
- Anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The ARC will also periodically review its own effectiveness and report the results of that review to the Advisory Board and Accountable Officer.

With respect to risk management specifically, the Committee will support the AO in monitoring the corporate governance and control systems by:

- Gaining assurance that risk is being monitored;
- Commenting on the appropriateness of the risk management and assurance processes which are in place;
- Receiving risk management assurance information and consequently delivering an overall opinion about risk management as part of the annual assurance exercise;
- Supporting the identification of emerging risks and challenging mitigating actions.

The Committee may, in its annual assurance to the AO, draw attention to areas where risk is being appropriately managed, risk is inadequately controlled, risk is over controlled or where there is a lack of evidence to support conclusion. If there is a concern over lack of evidence more assurance work may need to be carried out. It should, however, be noted that the Audit and Risk Committee should not itself own or manage risks. A few lines of enquiry members might wish to pursue when considering risk management is set out in Annex B.

Authority

The Committee is authorised by the AO to undertake any activity within its Terms of Reference. However, it does not have any executive responsibilities nor is it charged with making or endorsing any decisions, although it may draw attention to strengths and weaknesses in control and make suggestions for how weaknesses might be dealt with. The overarching purpose of the Audit and Risk Committee is to advise the AO. It is then the AO who makes the relevant decisions.

If a member fundamentally disagrees with a decision or position taken by the ARC, they have the option of recording their disagreement in the Minutes. However, ultimately, members should accept and support the collective decision of the Committee. Members will not

undermine Committee decisions or distance themselves from them outside of Committee meetings.

Where a disagreement between Audit and Risk Committee and Executives cannot be resolved, or where the Committee has specific concerns about the manner in which the organisation is being run these concerns will be recorded in the Minutes and brought to the attention of the Advisory Board and AO. The Advisory Board may, in turn, escalate issues to the Agency's Fraser Figure, currently the DG for Education, Communities and Justice.

Meeting frequency and operating arrangements

The Audit and Risk Committee will meet at least four times per year, but may be asked to convene on other occasions at the request of the AO to discuss particular issues on which he/she needs advice. The Audit and Risk Committee Chair may also convene additional meetings, as he/she deems necessary. The Committee also meet, in private, with auditors prior to each ARC meeting.

The Chair and AO should be advised prior to the meeting of any non-attendance of members.

The Committee may ask any or all of those who normally attend but who are not members, to withdraw to facilitate open and frank discussion of particular matters.

Papers for the Committee meetings will be circulated to members and attending officials 4 days prior to the meeting date.

An action tracker will be maintained to monitor progress on key issues and this will be updated and issued to members along with a copy of the draft minutes.

Details of the yearly core work programme of the Committee can be found in Annex A. It is not exhaustive or in any way restrictive, additional issues can be considered with the agreement of the Chair.

Quorum

A minimum of three members of the Committee must be present for the meetings to be deemed quorate. In the absence of the Chair, one of the other attending Non-Executive Board Members will assume the role for the duration of the meeting.

In the absence of a quorum, the Chair will have the authority to decide whether to proceed with the business of the meeting or to adjourn the meeting. If the meeting proceeds, comments and approval of proposed decisions will be sought via correspondence from absent members as soon as possible after the meeting, with an opportunity to comment before the deadline given. All viewpoints expressed via correspondence will be retained on record.

Access to the Chair

SG Internal Audit and External Audit will have free and confidential access to the Chair of the Audit and Risk Committee and vice versa. The NEBMs will meet with Auditors on an informal rotational basis prior to each ARC meeting.

Information Requirements

The Committee will normally be provided with the following at every meeting:

- A progress report from Internal Audit detailing:
 - Work performed and a comparison with work planned
 - Key issues emerging from Internal Audit work
 - Progress on agreed implementation of agreed audit recommendations
 - Any significant changes to the audit plan
 - Any resourcing issues affecting the delivery of Internal Audit objectives
- A progress report from external audit summarising the work done and emerging findings;
- A summary of outstanding, high priority audit recommendations;
- A finance report;
- The Education Scotland Risk Register.

As and when required, the Committee will also be provided with:

Annually:

- External Audit's Audit Plan and any relevant management letters and performance audit reports;
- Draft Annual Report and Accounts of the organisation;
- Draft Certificates of Assurance;
- Draft Governance Statement;
- Internal Audit's annual opinion and reports;
- Annual Fraud report;
- Internal Audit Plan;
- Directorate Risk Registers;
- ES Business Continuity Plan
- Committee's Terms of Reference.

Ad Hoc:

- Business update reports from the AO;
- Terms of Reference of the Internal Audit Directorate;
- Internal Audit Strategy;
- Internal Audit Charter;
- Report on any changes to accounting policies;
- External Audit's review of Internal Audit;
- A report on the Counter Fraud and Bribery arrangements and performance;
- Reports from other sources within the "three lines of assurance" integrated assurance; framework (e.g. Gateway Reviews, Health Check Reviews, ICT Assurance Reviews, Digital 1st Service Standard Reviews, Procurement Capability Reviews, procurement Key Stage Reviews).

In order to provide the Secretary with sufficient time to prepare the agenda for the Chair's approval, agenda items and accompanying papers will be submitted at least 10 working days in advance of the meeting. Papers received after the 10 day deadline will only be accepted with the approval of Chair.

The Secretary will consider if the submitted papers and agenda are fit for purpose before distributing these to members, providing members with sufficient time to read and digest the information provided.

Information management arrangements include the numbering and storage of all papers within the ARC Objective file, the use of the standard agenda template, standard minute template, standard paper template and action point tracker.

The Terms of Reference will be published on the Agency's intranet.

Escalation and Reporting

The Audit and Risk Committee Chair will formally report to the Education Scotland Advisory Board after each meeting. This will normally be in the form of a written report by the Chair. However, in exceptional circumstances, such as close proximity of meetings, a copy of the Minutes may form the basis of the report in conjunction with a verbal update from the Chair.

The Committee will provide the AO with an Annual Assurance, timed to support the finalisation of the Annual Report and Accounts and the Governance Statement. It should summarise the Committee's conclusions from the work it has done during the year.

The Agenda and Minutes will be placed on the Agency's website.

Review and Assessment of Performance of the Committee

Members and the Head of Governance will be responsible for reviewing the operating arrangements and effectiveness of the Committee on an annual basis.

Date

These Terms of Reference were formally agreed on 18 September 2019.

Document Control and Amendment History

Issue	Date	Status	Author
Issue 1	25 November	Draft	Roz McCracken
Issue 1.1	23 February	Draft updated to take account of received feedback	Roz McCracken
Issue 1.2	17 May 2018	Updated to reflect new governance structure	Roz McCracken
Issue 1.3	15 May 2019	Draft Updated with new structure	Nina Hyslop
Issue 1.4	16 August 2019	Draft updated with new membership	Lesley Macaulay

Annex A - Regular business to be conducted by the Board or Committee

Agenda Item	Q1	Q2	Q3	Q4
Conflicts of Interest declarations	X	X	X	X
Review performance relating to risk management	X	X	X	X
Review the Internal Audit strategy and the periodic work plan for the new audit year				X
Consider the financial report, including relevant information about financial performance and achievement of financial targets and coming year budget	X	X	X	X
Consider the annual report on fraud and security	X			
Consider External Audit plans for the coming financial year				X
Consider any reports from Internal Audit and management responses	X	X	X	X
Consider Internal Audit opinion for the financial year just finished	X			
Consider the Committee's draft annual report to the Accountable Officer	X			
Review and consider the annual report and accounts for the financial year just finished	X			
Consider (emerging) External Audit opinion for the financial year just finished (ISA260 Report to those Charged with Governance)	X			
Consider the annual certificates of assurance to the Accountable Officer	X			
Advise the Accountable Officer on signing the accounts and governance statement	X			
Review the Directorate Risk Registers			X	
Review the ES Business Continuity Plan		X		
Issue Questionnaires for consideration of the Committee's own effectiveness in its work			X	
Summary report on Committee's own effectiveness				X
Review the Terms of Reference				X
Consider any reports from other sources within the "three lines of assurance" integrated assurance framework	X	X	X	X
Consider the quarterly report from the Health & Safety and Sustainability Group	X	X	X	X

Annex B – Key lines of Enquiry for Audit and Risk Committee

This list of questions is not intended to be exhaustive or restrictive nor should it be treated as a tick list substituting for detailed consideration of the issues it raises. Rather it is intended to act as a 'prompt' to help audit and risk committees to ensure that their work is comprehensive.

On the strategic processes for risk, control and governance:

- Do we have a comprehensive process for identifying and evaluating risk, and for deciding what levels of risk are tolerable?
- Does the risk register reflect the risks facing the Agency?
- Is there appropriate ownership of risk in place?
- Does management have an appropriate view of how effective internal control is?
- Is risk management carried out in a way that benefits the Agency, or just as a tick box exercise?
- Is the Agency aware of the importance of risk and the relevant risk priorities?

On risk management processes:

- How does senior management and Ministers support and promote risk management?
- How well are people equipped and supported to manage risk well?
- Is there a clear risk strategy and policy?
- Are there effective arrangements for managing risks with partners?
- Are risks handled well?
- Does the risk management contribute to achieving outcomes?

On accounting policies and accounts:

- Are there appropriate anti-fraud policies in place and losses suitably recorded?
- Are suitable processes in place to ensure accurate financial records are kept?
- Are issues raised by Audit Scotland/The Auditor General for Scotland given appropriate attention?

On assurances relating to corporate governance:

- Are the range of assurances available sufficient to facilitate drafting a meaningful governance statement?
- Are the assurances in place reliable?
- Do the assurances draw appropriate attention to material weaknesses or losses which should be addressed?

On the work of the Committee itself:

- Is the Committee being effective in achieving its terms of reference and adding value to corporate governance and the control systems of the Agency?
- Does the Committee have the appropriate skill mix?
- Does the Committee have an appropriate level of understanding of the purpose and work of the Agency?
- Does the Committee have sufficient time to give proper consideration to Agency business?
- Do any of the Committee Members have any conflicts of interest?
- What impact is the Committee having on the Agency?

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